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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday June 1, 1976

CI NIDC 76-128C

DIA review(s) completed.

**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

**Top Secret**

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National Intelligence Daily Cable for Tuesday June 1, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON SITREP

[redacted] Fighting increased sharply in Beirut and in northern and eastern Lebanon over the weekend, threatening to derail even the limited progress that president-elect Sarkis has made in arranging "roundtable" talks among leaders of the warring factions.

[redacted] The Muslim dissidents' "Lebanese Arab Army" mounted heavy attacks on the northern Christian villages of Qubayyat and Andaqat.

[redacted] Leftist and Palestinian leaders in Beirut condemned but could not stop the action, which they claimed was carried out by a Lebanese officer sympathetic to Damascus in order to justify increased Syrian military intervention in Lebanon.

[redacted] Additional Syrian armored units--at least a battalion, possibly a brigade--did move into the northern border area over the weekend. Late Sunday some of these units were observed just east of the Arida salient on the highway between Hims and Tartus.

[redacted] The Syrian force almost certainly was drawn from the Syrian 3rd Armored Division. [redacted]

[redacted] saw what may have been units of the same convoy heading north from the division's headquarters at Al Qutayfah early Sunday.

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[ ] Right-wing Christian forces--mostly those controlled by National Liberal leader Camille Shamun--have responded to the Muslim attacks by shelling isolated Muslim villages farther south, renewing their attacks near Zahlah in eastern Lebanon, and shelling nearly all Palestinian refugee camps in Beirut.

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[ ] The Christian reaction has been so severe that it appears almost certainly designed more to force Sarkis to ask for additional Syrian troops than to counter leftist and Muslim military initiatives.

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[ ] The immediate effect of the Christian attacks, however, was to prompt forces from Fatah, the largest fedayeen group, to intensify their involvement in the clashes and to launch several long-distance 122-mm. rockets at the Christian port of Juniyah, north of Beirut.

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[ ] Sarkis has been forced by the surge of fighting to interrupt his political consultations, but the fighting so far has not led any of the leading politicians to reject his attempts at reconciliation. Sarkis' meeting with Jumblatt, cancelled after Jumblatt's sister was murdered last week, apparently will be held this week if security conditions permit.

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[ ] On Sunday Sarkis sent a message to Arab League Secretary General Riad parrying the latter's proposal for a general Arab conference on Lebanon. Although Sarkis said he could not make a decision on such a matter until after being installed as president, his reply is in fact a rejection. It is another reflection of his and Syria's unwillingness to allow other foreign parties to play a central role in resolving the crisis.

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[ ] Damascus is again involved in a round of consultations to consider its strategy in Lebanon. The leader of the Lebanese arm of the Syrian Baath Party was in Damascus on Sunday, and a delegation of Phalangist leaders is scheduled to arrive there today.

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[ ] Phalangist chief Jumayyil supports active Syrian intervention in Lebanon, but may have offended Damascus over the weekend by urging the Soviets, on the occasion of Premier Kosygin's visit to the area, to "undertake a positive role" in seeking a resolution.

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25X1 [ ] A Lebanese Communist Party leader drew attention to  
strains between Syria and the USSR on Sunday by claiming  
25X1 publicly that Moscow opposes Syrian military intervention in  
Lebanon. [ ]

USSR-SYRIA-IRAQ

25X1 [ ] Soviet Premier Kosygin begins a hastily arranged  
trouble shooting mission in Damascus today.

25X1 [ ] Kosygin has just completed a similar visit to Iraq,  
where preliminary signs are that he was only partially  
successful. Talks between the Soviets and the Iraqis were  
described as "cordial and frank," a good indication that not  
all problems were resolved.

25X1 [ ] In recent months, Moscow has become increasingly  
concerned over both Syria's and Iraq's growing ties with the  
West, and with the way both countries have been treating their  
Communist parties.

25X1 [ ] The Soviets are also displeased with the failure of  
either government to support Soviet calls for reconvening the  
Middle East peace conference at Geneva and to denounce  
Egypt for abrogating its treaty with the USSR.

25X1 [ ] With Syria, there are additional problems stemming  
from Damascus' failure to consult fully with Moscow about  
Syrian policy on Lebanon, its reported request for debt  
rescheduling, its friction with Soviet military advisers, and  
its apparent unwillingness to grant the Soviets all the  
additional access they seek to Syrian ports since the Soviet  
navy's withdrawal from Egypt.

25X1 [ ] Kosygin surely is not sanguine about his prospects  
for success but probably hopes to be able to alleviate some  
frictions and check the downward trend in Soviet relations  
with both Syria and Iraq.

25X1 [ ] The Soviet premier may also seek to mediate the recent  
problem that has arisen between Syria and Iraq over Iraq's  
cessation of oil shipments through Syria. [ ]

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ICELAND-UK

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[REDACTED] //Icelandic Foreign Minister Agustsson, Fisheries Minister Bjarnason, and British Foreign Secretary Crosland met in Oslo yesterday to begin negotiations designed to end the "cod war."//

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[REDACTED] //The ministers say they have made some progress on Monday, and they hope to wrap up negotiations by tomorrow.//

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[REDACTED] //The talks were made possible when London accepted the Icelandic precondition that British frigates leave Iceland's unilaterally proclaimed 371-kilometer (200-mile) territorial waters. London has also ordered British trawlers near Iceland to cease fishing while the talks are taking place.//

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[REDACTED] //The two sides reportedly will negotiate a six-month interim agreement that will permit 24 British trawlers to operate within the 371-kilometer zone and to fish within 35-55 kilometers of the Icelandic coast. The British vessels will be obligated to respect Iceland's conservation areas.//

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[REDACTED] //Such an agreement would lead to an improvement in bilateral relations and could lead to a restoration of diplomatic ties.//

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[REDACTED] //The two sides are in effect only buying time, however, and it is unclear what will happen when the interim agreement expires on December 1.

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TANZANIA-ZAMBIA

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[REDACTED] //The Tanzanian and Zambian governments are apparently uneasy over their bilateral relations with the USSR. Both governments are seeking to restrict direct involvement by non-African states with the Rhodesian guerrillas. Soviet successes in Angola have probably increased their qualms about Moscow's intentions in southern Africa, although Tanzania at first favored Soviet aid to the Popular Movement during the civil war.//

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[REDACTED] //Dar es Salaam's suspicions have apparently sharpened in the past few months following the arrival of a 50-man Soviet advisory team to survey and set up a Soviet-supplied air defense system.//

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25X1 [redacted] //The Soviets have delivered some \$5 million  
worth of equipment to Tanzania [redacted]

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25X1 [redacted] //Tanzania accepts the Soviets as fellow social-  
ists and officially welcomes their aid to nationalist guerrillas  
in southern Africa. President Nyerere, however, regards the  
USSR as a great power whose sympathies with the third world,  
especially Africa, are suspect. China, Tanzania's closest  
communist friend and a major source of arms, has undoubtedly  
encouraged this view.//

25X1 [redacted] Zambia badly needs the technical personnel and  
other assistance Moscow provides, and Kaunda is unlikely to end  
the aid relationship. [redacted]

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#### EC-ARAB STATES

25X1 [redacted] //Ambassadors from the nine EC and 20 Arab League  
states, along with representatives of the Palestine Liberation  
Organization, recently agreed in Luxembourg to undertake several  
rather modest--but nonetheless important--steps to expand and  
intensify economic ties.//

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[REDACTED] //Permanent committees were set up to monitor cooperative efforts in agriculture, industry, government services, finance, trade, science and technology, and cultural and labor matters.//

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[REDACTED] //They agreed to concentrate initially on projects in areas such as telecommunications, vocational training, trade promotion, foreign investment, port congestion, and agricultural development. Only limited progress was made on the more complex issues of trade diversification, benefits for migrant Arab workers, the transfer of technology, and financial cooperation.//

25X1

[REDACTED] //The EC avoided a divisive political debate on the Middle East at the three-day conference, and the Arabs came away satisfied that they had succeeded, at least partially, in enhancing the political character of the dialogue since intensive and generally constructive exchanges had dominated informal conversation in Luxembourg.//

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[REDACTED] //The PLO representative, speaking for the Arabs, surprised the EC delegates by inviting the Nine to play a role in the Middle East commensurate with the community's prestige and economic power.//

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[REDACTED] //The next session of the dialogue will be held in an Arab capital later this year, and the Arabs will probably ask that it be convened at the ministerial level. [REDACTED]

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UK

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[REDACTED] //The UK's annual economic growth rate may not reach the government's projected 4.0 percent through mid-1977 if interest rates continue to rise. Last week the Bank of England raised interest rates for the second time within a month. The minimum lending rate now stands at 11.5 percent, 2.5 percent higher than the April level. There is some speculation that the rate may soon be increased by another 0.5 percent, equalling last October levels.//

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25X1 [ ] //The Bank's decision came on the heels of renewed downward pressure on sterling. The interest rate increase may stem the flow of funds out of Britain, provided foreign interest rates remain unchanged, but it will discourage domestic business and consumer borrowing, particularly if mortgage and other long-term rates also rise.//

25X1 [ ] //Manufacturing investment fell by 13.5 percent in 1975. It was expected to fall by an additional 5 to 8 percent this year, but we now think an even larger drop may be in the offing. Consumer spending may not increase because of the higher interest rates and depressed real incomes.//

25X1 [ ] //Real output rose by 1.1 percent during the first quarter of this year as a result of increased consumer expenditures and a surprisingly large improvement in the trade balance. This is slightly better than the last quarter of 1975. The continuing rise in interest rates is likely to slow further growth this year and into 1977.//

25X1 [ ] //The low growth rate will make it more difficult to reduce unemployment, which is at a record high. On a seasonally adjusted basis, total unemployment in early May stood at 1.25 million, up 16,300 from the previous month. This could cause strains in the presently harmonious relationship between the Labor government and the unions.//

25X1 [ ] //The left-wing of the trade union movement continues to hammer away on the theme that the government is not doing enough to bring down unemployment. Earlier this week, for example, the leftists helped organize a "Day of Action" involving protest marches by several thousand workers throughout the country.//

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CUBA-MEXICO

[ ] Mexican President Echeverria's disillusionment with Cuba's Angolan policy has led him to cool Mexico's relations with Havana.

[ ] Echeverria has been cautious, however, about publicly expressing his displeasure with Havana. In late January he called for ending all foreign intervention in Angola, but avoided specific mention of Cuba. It was Castro--responding to Echeverria's veiled criticism--who postponed the visit to Mexico that had been scheduled to begin March 18.

[ ] The Mexicans were clearly relieved, but maintained that the invitation remains open for later this year.

[ ] Cuban Deputy Prime Minister for Foreign Affairs Carlos Rafael Rodriguez arrived in Mexico last Wednesday and at a press conference refused to confirm or deny whether the Castro visit will take place. Echeverria has continued to welcome other official Cuban delegations.

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[ ] Commercial ties and plans for technical cooperation between the two countries have not been disturbed by the change in diplomatic atmospherics.

--In late January, the first meeting of the Mexican-Cuban commission on scientific and technical cooperation was held in Havana.

--In early February, Mexico purchased 20 fishing boats from Cuba.

--Later that month, a Cuban delegation visited Mexico to sign an agreement calling for the joint investment of \$6.4 million to build two sugar mills, one in Cuba and one in Mexico.

--Other agreements have been reached in the fields of sugar production, iron, chemicals, and stainless steel.

--In early March, a group of Mexican industrialists visited Cuba to sign a cooperation agreement between pharmaceutical industries.

--Following the visit of a Mexican delegation to Cuba in mid-May, the Mexican Foreign Trade Institute announced the sale of \$2.4-million worth of industrial and agricultural products to Cuba.

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[ ] Cooperation continues in the fields of education and culture as well. Mexico's secretary of public education visited Cuba in mid-March. As a result of the visit, an agreement was signed early this month on an exchange of programs in education, culture, films, radio and television, architecture, and sports.

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[ ] An important factor governing whether the Cubans can fully restore the amity that existed with the Mexican government before Angola is Havana's current diplomatic campaign to convince world opinion that a timetable has been established for the withdrawal of Cuban troops from Angola.

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[ ] During his recent Mexican visit Rodriguez refused, however, to give public assurances about a Cuban withdrawal from Angola. In fact, he told a group of newsmen that if a withdrawal were to occur, it would be officially announced by the Cuban and Angolan governments. [ ]

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PANAMA-CUBA

[redacted] Panamanian-Cuban relations have recently cooled as a result of Cuba's Angola adventure and an incident in Panama that heightened Panamanian suspicions about Cuban intentions there.//

[redacted] //In the wake of Cuba's Angola involvement the controlled Panamanian press published several articles critical of Havana's African role. The items were undoubtedly cleared by Torrijos.

[redacted] //Panama's ties with Cuba also contributed to a diplomatic embarrassment for Torrijos. The General's plan for a Latin American summit meeting in Panama in June foundered after a number of Latin American leaders refused to attend because Castro had been invited.//

[redacted] //Despite some uneasiness on the part of Torrijos and his military colleagues about ultimate Cuban intentions, the Panamanian leader is unlikely to allow relations with Cuba to be disrupted. A break with Cuba would open him to charges that he is bowing to Washington's wishes. It would also deprive him of the advantage he thinks relations with Cuba give him in placating the Panamanian left.//

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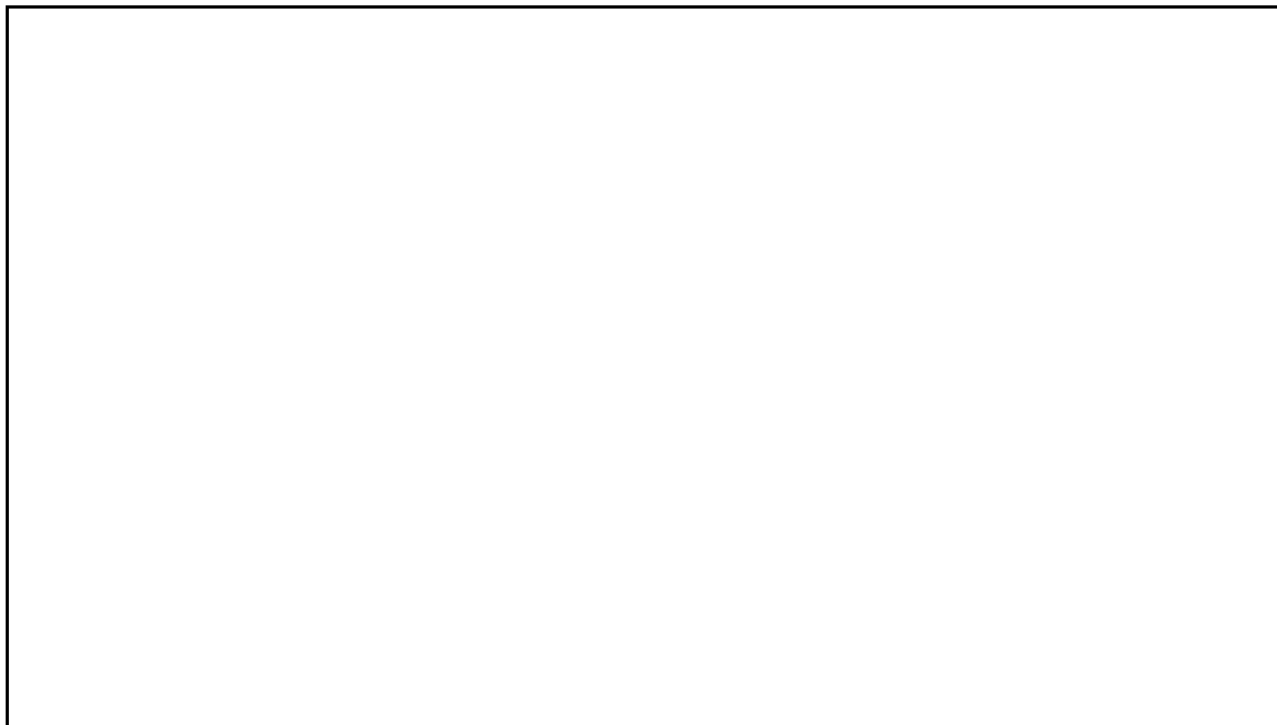
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USSR-MOZAMBIQUE

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[redacted] Mozambican President Machel's visit to Moscow produced little immediate support for his country's ailing economy.

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[redacted] //Machel signed contracts for medical aid, technical services, and surveys to be funded under a \$10-million credit extended early in 1975.// Moscow may provide additional credits once the studies are completed. The Soviet pledge so far represents less than 5 percent of the total world assistance committed to Mozambique since independence in 1975.

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[redacted] //China is the largest donor, offering \$60 million--over a quarter of the \$205-million total. Aid from the West is over \$110 million, and an additional \$25 million has been committed by Eastern Europe, OPEC, and other developing countries.// Only small amounts of aid have been disbursed to date. [redacted]

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